LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 24, 2005

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB112** by Wong (Relating to a tax credit for certain corporations for certain purchases that promote healthy living for employees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB112, As Introduced: a negative impact of ($230,000) through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	$0
2007	($230,000)
2008	($340,000)
2009	($340,000)
2010	($340,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1
2006	$0
2007	($230,000)
2008	($340,000)
2009	($340,000)
2010	($340,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to create a franchise tax credit for certain corporations that purchase memberships for their employees in gyms or other similar facilities promoting fitness and healthy living or for the purchase of exercise equipment for the use of their employees.

To be eligible, a corporation must have to have fewer than 100 employees or less than $1 million in annual gross receipts. The credit would equal a maximum of $200 per participating employee for the purchase of the membership or for the cost of the equipment. The credit would be limited to the amount of tax due for the privilege period. The credit could only be used for the period in which the purchases were made and could not be conveyed or transferred to another entity.

The bill would require the Comptroller to adopt rules necessary to implement the credit.

The bill would take effect on January 1, 2006 and would apply only to tax reports originally due on or after that date.

Methodology

This note is based upon analysis provided by the Comptroller's Office.

The historical revenue impact of another franchise tax credit, the child-care credit (Subchapter N Chapter 171, Tax Code), is the basis for the Comptroller estimate.

The two credits are similar in that both are focused on providing amenity benefits to a corporation's employees.

The estimate assumes that only qualified purchases made after the effective date of the bill could qualify for the credit. Qualified purchases made after January 1, 2006, would be reported on franchise tax returns due beginning in fiscal 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 307 Secretary of State

LBB Staff: JOB, SD, WP, CT